



## **Richmond Hill Referendum on Adopting Georgia's Redevelopment Powers Law Information Sheet**

***On Tuesday, November 5, 2019 voters in Richmond Hill will have an opportunity to vote on whether the City should adopt Georgia's Redevelopment Powers Law. This information sheet is provided to give the citizens of our city some background information on the purpose of the referendum.***

### **What does the referendum say?**

“Shall the Act be approved which authorizes the City of Richmond Hill to exercise redevelopment powers under the “Redevelopment Powers Law”, as it may be amended from time to time?” Yes/No.

### **What is Georgia's Redevelopment Powers Law/What is a Tax Allocation District?**

Georgia's Redevelopment Powers Law was adopted by the general assembly in 1985 and gives local governments (cities and counties) the authority to use tax exempt bonds or other methods to finance infrastructure and other redevelopment costs within a specially defined area, known as a tax allocation district (TAD). The bonds are secured by a tax allocation increment which is the increase in the property tax revenues resulting from redevelopment activities occurring within the TAD area. As public improvements and private investment take place in a TAD, the taxable value of property increases. The city/county collects those revenues, putting the increased taxes due to investment into a special fund to pay off bonds or loans that financed the public improvements in the district.

### **What is a tax increment?**

Tax increment is the difference between the amount of property tax revenue generated prior to when a TAD is established (the “base” year) and the amount of property tax revenue generated after the TAD designation and new development occurs. Any growth in the property tax revenues resulting from increases in property values above the base values are collected in a special fund and used for redevelopment costs in the TAD. Only **property taxes** generated by the incremental increase in the values of these properties are available for use by the TAD. This allows the economic development created in the redevelopment to pay for itself.

### **Is a TAD an additional tax?**

The creation of the TAD does not create an additional tax, all property owners pay the same property tax millage rate regardless of whether they are in a TAD or not.

### **Is the Redevelopment Powers Law widely used in Georgia?**

Since its creation in 1985, more than 80 cities and counties have approved the referendum to allow their local communities to use the Redevelopment Powers Law. The Redevelopment Powers Law has been

adopted by cities and counties statewide including, for example: Rome, Columbus, Gainesville, Atlanta, Duluth, Gwinnett County, Albany, East Point, College Park, Decatur, Bartow County, Augusta, Dekalb County, Clayton County and LaGrange. In coastal Georgia is includes the cities of Savannah, Brunswick, St. Marys, and Statesboro, among others.

### **Are TADs widely used nationally?**

TADs are Georgia's version of tax increment financing. This economic development financing method began in the 1970s, is used in 49 states and the District of Columbia, and is the most widely used economic development financing program in the nation.

### **If the voters approve the referendum what is the next step in the process?**

The City of Richmond Hill will have the ability to determine the location of one or more Tax Allocation Districts in the city. Designation of an area for TAD must meet the requirements of the Redevelopment Powers Law and all TADs combined in the city cannot contain more than 10% of the tax digest of the City.

### **Why would local jurisdictions choose to create a TAD?**

Local jurisdictions do not forgo receiving increased property tax revenue, but choose to invest their future tax revenues in new development, essentially letting growth pay for the costs associated with that growth. TADs are established in slow-growing or no growth areas where a disproportionately low amount of property tax revenues are generated. Typically, areas designated as TADs don't pay their fair share of property taxes, forcing higher-wealth areas to carry the cost of services to those areas. TADs take increases in property values within a prescribed development area and use those revenues for infrastructure (water, sewer, parking decks, and sidewalks, etc.) and neighborhood improvement projects.

### **How is a TAD created?**

The citizens of Richmond Hill must first pass a referendum to allow the City of Richmond Hill to consider formation of one or more TAD districts consistent with the requirements of Georgia's Redevelopment Powers Law. If the referendum is approved, the next step is for the city to designate a TAD boundary and prepare a TAD Redevelopment Plan to act as the "business plan" for the operation of the district. The plan is discussed at two public hearings and then must be approved by a resolution of the local government. Once the resolution is passed, the taxable value in the TAD is certified as the base value of the district. Upon the approving the creation of a TAD, the local government will typically ask the county and school board to review the plan and determine if they want to consent to commit their portion of the future property tax increments to the TAD by formal approval of the Redevelopment Plan. Counties and school boards typically participate with local governments in their TADs.

### **How long does a TAD stay in effect and can it ever be dissolved once it is created?**

The length of the TAD is determined by the Redevelopment Plan and approved in the resolution passed by the local government. In most but not all cases, TADs are initially approved for 30 years so they can

be effectively used to secure bond financing. A TAD may be terminated earlier if all bonds are paid off and the initiating council or board votes to terminate the district.

**What is a bond? What is a TAD bond?**

A bond is long-term debt similar to home mortgage, but for a larger project and greater amount of money. A TAD bond is the mechanism through which funding is created to incentivize new development in designated areas. TAD bonds are issued to leverage the projected future increases in property tax revenues, so that funding is available to subsidize a portion of development costs up front. The TAD bonds are repaid over the life of the TAD from the new property tax revenues generated by new development.

**What would happen to taxpayers if there was a default on a TAD bond?**

There has never been a default on any TAD bonds issued in Georgia to date. Bonds issued in a TAD are revenue bonds and are not general obligations of the local government. Therefore, taxpayers are not at risk in the unlikely event of default. Investors who finance TAD bonds understand this and typically charge a higher interest rate than on municipal bonds which are guaranteed by taxpayers.

**Why does the City want the approval of local voters to use Georgia's Redevelopment Powers Law?**

The City is interested in having this well-established economic incentive in its economic development "toolbox". This will allow the City to be prepared to respond to future opportunities to grow and prosper and thereby help diversify our tax base and enhance the quality of life in our city.